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THE EAGLE-PICHER COMPANY

ANNUAL REPORT

for the fiscal year
ended November 30

1955

40117622



SUPERFUND RECORDS

609243

ANNUAL REPORT
FOR THE
FISCAL YEAR ENDED NOVEMBER 30, 1955



THE EAGLE-PICHER COMPANY
EXECUTIVE OFFICES CINCINNATI OHIO

THE EAGLE PITCHER COMPANY

DIRECTORS

JOEL M BOWLBY	WILLIAM H MITCHELL
WILLIAM R DICE	ORSON A ROCKWELL
LOUIS A FISHER	JOHN J ROWE
CARL A CEIST	HERMON F SAFFORD
CARL F HERTENSTEIN	T SPENCER SHORE
STANLEY R MILLER	GEORGE A SPIVA
MILES M ZOLLER	

OFFICERS

T SPENCER SHORE	PRESIDENT
GLEN J CHRISTNER	VICE PRESIDENT
WILLIAM R DICE	VICE PRESIDENT AND COMPTROLLER
LOUIS A FISHER	VICE PRESIDENT
CARL A CEIST	VICE PRESIDENT AND TREASURER
ORSON A ROCKWELL	VICE PRESIDENT
HERMON F SAFFORD	VICE PRESIDENT
MILES M ZOLLER	VICE PRESIDENT
RICHARD SERVISS	SECRETARY
CORBIN E SHOUSE	ASSISTANT SECRETARY
J N TINKNELL	ASSISTANT SECRETARY
JOHN H WINCHESTER	ASSISTANT SECRETARY

TRANSFER AGENTS Guaranty Trust Company of New York
 The Central Trust Company Cincinnati

REGISTRARS The Chase National Bank of the City of New York
 The Fifth Third Union Trust Company Cincinnati

THE EAGLE-PICHER COMPANY

TO OUR SHAREHOLDERS

The year 1955 was a notable one in many respects for The Eagle Picher Company. Net sales exceeded \$100,000,000 for the first time. Net profit was more than double that for 1954. Net worth at November 30, 1955 increased over 10% from a year earlier to \$34,834,412 which combined with long term debt made the Company's invested capital approximately \$50,000,000.

It is gratifying to see substantial tangible gains resulting from the acquisitions and expansion of facilities effected during recent years and it is the Company's objective to continue along these lines as opportunities arise.

Sales

Net sales of \$114,480,080 for the 1955 fiscal year were the largest in the Company's history and showed an increase of \$31,246,200 or 38% over net sale of \$83,233,880 for the previous year. Each of the five divisions reported increased sales during 1955. A substantial portion of the over all gain resulted from the inclusion of the Fabricon Products

Division for the full year 1955 as against only five months in 1954. Excluding the Fabricon Products Division, net sales showed an increase of 22%.

Earnings

Net profit for the fiscal year ended November 30, 1955 amounted to \$5,004,062 or \$5.06 per share compared with \$2,446,829 or \$2.47 per share for 1954.

Net profit before taxes for 1955 amounted to \$10,204,062 as compared with \$4,946,829 for 1954.

Balance Sheet

The most important changes in the balance sheet at November 30, 1955 compared with that of a year earlier are found in the working capital position of the Company.

Net current assets at the end of 1955 amounted to \$23,247,257 an increase of \$4,800,209 over the close of the previous year. Cash and United States Government securities aggregated \$12,710,610 a gain of \$4,656,915.

Net plant account at November 30, 1955 was

SUMMARY OF 1955 AND 1954

YEAR ENDED NOVEMBER 30	1955	1954	PER CENT INCREASE
NET SALES	\$114,480,080	\$83,233,880	38
NET PROFIT BEFORE INCOME TAXES	10,204,062	4,946,829	106
NET PROFIT	5,004,062	2,446,829	105
NET PROFIT PER SHARE	\$5.06	\$2.47	105
DIVIDENDS DECLARED PER SHARE	1.80	1.50	20

\$24 470 614 a decrease of \$1 353 795 from the end of the previous year. In this connection it may be noted that depreciation and depletion charges in 1955 were \$2 969 269 an increase of \$978 691 over the corresponding figure of \$1 990 578 for 1954.

Investment in Mexico amounted to \$129 846 at November 30 1955 this compared with \$426 682 at November 30 1954.

Net worth at November 30 1955 was \$34 834 412 or \$35 22 per share which was \$3 223 495 above the comparable figure at November 30 1954.

Dividends

Dividends declared during 1955 amounted to \$1 80 per share as compared with \$1 50 per share in 1954 including a year-end extra in both years. A regular quarterly dividend of 45c per share was declared in November thereby placing the stock on a \$1 80 annual basis.

The regular quarterly dividend of 45c per share payable in March will mark the 64th consecutive quarterly disbursement.

Many shareholders prefer an even distribution of income by quarters rather than a regular dividend plus an extra. When and if earnings and the financial position of the Company justify a further increase in dividend disbursements Management's present thinking is that an increase in the regular rate prob-

ably would be preferable to declaration of an extra dividend.

New Activities

In May The Eagle-Picher Company purchased for cash the assets including patents and goodwill of Wilson & Hoppe Plastics Whittier California a small manufacturer of laminated plastic products sold under the trade name Laminart. Its machinery and equipment will be moved to the Los Angeles plant of the Fabricon Product Division where its operations will be consolidated with Fabricon's plastic activities. This phase of the Company's business is growing in importance.

The Company's zinc roasting and sulphuric acid plant at Calena Kansas completed in August 1954 incurred a sizable loss during 1955 because of start up operating problems strikes in phosphate mine supplying our principal customer and other factors. However the plant is now operating profitably and we believe that it should continue to do so.

Mexican Investment

The Eagle Picher Company has sold a portion of its Mexican properties from which it will realize a net profit after taxes estimated at approximately \$1 350 000. Since the sale was consummated on January 30 1956 the profit realized will be included

BALANCE SHEET COMPARISON

AS AT NOVEMBER 30	1955	1954	INCREASE-DECREASE
CASH AND U. S. GOVTS.	\$12,710 610	\$8 053 695	\$4 656 915
NET WORKING CAPITAL	23 247 257	18 447 048	4 800 209
NET FIXED ASSETS	24 470,614	25 824 409	1 353 795
TOTAL ASSETS	61 364 253	59 130 887	2 233 366
NET WORTH	34 834 412	31 610 917	3 223 495

in the Company's statement for the first quarter of 1956

The principal properties sold are located in the Naica Mining District state of Chihuahua and had only been partially operated by The Eagle Picher Company. Our present Mexican production and operations therefore will be affected to only a very minor degree.

The Company began prospecting and operating near Taxco state of Guerrero about fifteen years ago. Profits from Taxco together with additional capital were invested in other mines while exploration was conducted in the Naica Mining District and elsewhere. Eagle-Picher's total investment in Mexico rose to a peak of over \$3,200,000 early in 1950 consisting largely of advances to subsidiary companies.

Operating results since 1950 have enabled the Mexican subsidiaries to make substantial and consistent reductions in the advances from the parent company. Reflecting these repayments, Eagle-Picher's investment in Mexico had been reduced to \$129,846 at November 30, 1955 and following the above sale will be only nominal. The Mining and Smelting Division is to be congratulated on its record in Mexico.

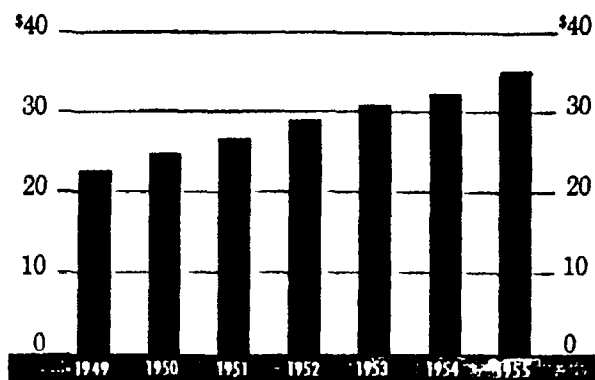
General

The American economy during 1955 enjoyed a year of record prosperity which has benefitted most corporations and individuals. The widespread confidence which has existed can be attributed largely to sound Governmental fiscal and tax policies and to constructive leadership of industrial corporations looking beyond self interest to the welfare of the country as a whole. All of us owe a debt of gratitude to those responsible for more plentiful job opportunities and the higher standard of living now prevailing.

The automobile industry is a good example of the many industries which have made outstanding contributions to the general welfare. It has demonstrated genius in production and unexcelled merchandising talents over a long period of time and consequently has prospered greatly. Benefits of its

NET WORTH PER SHARE

(At November 30)
(Based on present capital ratio)



growth have not been confined to automobile company workers and stockholders alone but rather have been shared by many thousands of suppliers and dealers who in turn employ millions of people. At the same time all business has been stimulated by the automobile industry's huge capital expenditures which reflect its confidence in our country's future.

Those who question the role of 'Big Business' should realize that it cannot be isolated or treated as if it existed in a vacuum. Big business and small business are each dependent upon the other and their fortunes and prosperity are intertwined. Whatever affects one affects the other and the entire economy.

As a supplier to the automobile, steel, storage battery, paint, building, ceramics, fertilizer and other basic industries, we are constantly dealing with numerous companies of all sizes, from the largest to the smallest. We have the highest regard and respect for the abilities, ethics and motivations of companies in the industries we serve and we take pride and satisfaction in our relationship with them.

Spencer Shore
President

Cincinnati, Ohio
February 1, 1956

THE EAGLE-PICHER COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS	<u>1955</u>	<u>1954</u>
CURRENT ASSETS		
Cash	\$ 7 755 906	\$ 7 668 660
U S Government obligations—at cost	—	385 035
Accounts and notes receivable less allowance for doubtful receivables \$269 559 and \$252 920	12 311 537	9 851 385
Inventories of raw materials work in process finished products and supplies (note 1)	<u>13 734 980</u>	<u>12 146 103</u>
TOTAL CURRENT ASSETS	<u>33 802 423</u>	<u>30 051 183</u>
OTHER ASSETS		
Repair parts and maintenance supplies	709 142	864 810
Investment in and advances to associated company and sundry securities —at or below cost	480 284	314 678
Investment in and advances to Mexican subsidiaries (note 2)	129 846	426 682
Miscellaneous accounts and advances	<u>356 150</u>	<u>370 151</u>
	<u>1 675 422</u>	<u>1 976 321</u>
PROPERTY PLANT AND EQUIPMENT		
Mining lands and leases mills smelters and manufacturing plants rail road and other properties—at cost	59 805 141	58 758 426
Less Allowance for depletion depreciation etc	<u>35 334 527</u>	<u>32 934 017</u>
	<u>24 470 614</u>	<u>25 824 409</u>
PREPAID AND DEFERRED CHARGES		
Prepaid freight, insurance, etc	506 553	415 819
Miscellaneous deferred charges	<u>909 241</u>	<u>863 155</u>
	<u>1 415 794</u>	<u>1 278 974</u>
	<u><u>\$61 364 253</u></u>	<u><u>\$59 130 887</u></u>

The accompanying notes

AND DOMESTIC SUBSIDIARIES

AT NOVEMBER 30 1955 AND 1954

	LIABILITIES	1955	1954
CURRENT LIABILITIES			
Accounts payable		\$ 6 257 875	\$ 4 759 061
Dividend payable		667 707	593 506
Accrued liabilities		2 741 008	2 357 827
Federal taxes on income less U S Government obligations \$4 954 704 at November 30 1955		888 576	3 893 741
TOTAL CURRENT LIABILITIES		<u>10 555 166</u>	<u>11 604 135</u>
LONG TERM DEBT (note 3)			
3 ³ / ₄ % notes maturing serially to July 15 1974		<u>15 000 000</u>	<u>15 000 000</u>
RESERVES FOR SELF INSURANCE			
		<u>974 675</u>	<u>915 835</u>
STOCKHOLDERS EQUITY			
Capital stock—par value \$10 per share authorized 1 500 000 shares, issued and outstanding 989 177 shares (note 4)		9 891 770	9 891 770
Surplus			
Capital surplus		2,771 681	2 771 681
Earned surplus (note 3)		22 170 961	18 947 466
		<u>34 834 412</u>	<u>31 610 917</u>
		<u>\$61 364 253</u>	<u>\$59 130 887</u>

integral part of this balance sheet

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

YEARS ENDED NOVEMBER 30 1955 AND 1954

	<u>1955</u>	<u>1954</u>
NET SALES	\$114 480 080	\$83 233 880
PRODUCTION AND MANUFACTURING COSTS	<u>92 628 428</u>	<u>69 241 556</u>
CROSS PROFIT—before depletion and depreciation	21 851 652	13 992 324
SELLING GENERAL ADMINISTRATIVE AND EXPLORATION EXPENSES	<u>8 193 152</u>	<u>7 063 445</u>
OPERATING PROFIT—before depletion and depreciation	13 658 500	6 928 879
OTHER INCOME	<u>84 426</u> 13 742 926	<u>577 914</u> 7 506 793
INTEREST EXPENSE	<u>569 595</u> 13 173 331	<u>569 386</u> 6 937 407
PROVISION FOR DEPLETION AND DEPRECIATION (note 5)	<u>2 969 269</u>	<u>1 990 578</u>
NET PROFIT—before Federal and State taxes on income	10 204 062	4 946 829
FEDERAL AND STATE TAXES ON INCOME	<u>5 200 000</u>	<u>2 500 000</u>
NET PROFIT FOR YEAR	5 004 062	2 446 829
EARNED SURPLUS AT BEGINNING OF YEAR	<u>18 947 466</u> 23 951 528	<u>17 985 159</u> 20 431 988
CASH DIVIDENDS PAID AND ACCRUED	<u>1 780 567</u>	<u>1 484 522</u>
EARNED SURPLUS AT END OF YEAR (note 3)	<u><u>\$22 170 961</u></u>	<u><u>\$18 947 466</u></u>

The accompanying notes are an integral part of this statement

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30 1955

- 1 Inventories at November 30 1955 and 1954 were composed as follows

	1955	1954
Ores metals and metal bearing products	\$ 4 26 434	\$ 4 466 352
Other	9 467 546	7 679 51
	<u>\$13 34 980</u>	<u>\$12 146 103</u>

Ores metals and metal bearing products have been valued at the lower of cost or market which has been reduced to state basic quantities of lead and zinc 9 000 and 16 000 tons respectively at fixed prices based on 6 5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St. Louis) under the base stock method of inventory valuation adopted at November 30 1949

Other inventories have been valued at average and standard costs or lower which approximate replacement market

- 2 On January 30 1956 the Company sold certain investments in its Mexican subsidiaries. It is intended in conjunction with this transaction that dividends be declared and paid by the remaining Mexican subsidiaries. It is estimated that the Company will realize a net gain after taxes on income of approximately \$1 300 000 from these transactions.
- 3 Under the provisions of the loan agreements pertaining to the 3 1/4% notes due July 15 1974 the company is required to prepay \$1 000 000 on July 15 of each year to maturity commencing in 1960.
- The 3 1/4% notes contain a covenant which so long as any of the notes remain outstanding restricts the amount which may be declared as dividends (other than those payable in capital stock of the company) or applied to the purchase redemption or retirement of the company's capital stock. At November 30 1955 the amount not so restricted was \$ 350 02.
- 4 Under a stock option plan approved by the stockholders of the company on March 23 1954 key employees of the company may be granted options to purchase an aggregate of 75 000 shares of capital stock of the company. Options granted under this plan shall be for terms not to exceed ten years and shall not be exercisable until one year from the date granted or at any time unless the last sales price (market quotation) before the date of exercise is at least 20% above the option price the option price being the fair market value but not less than the last sales price of such stock on the New York Stock Exchange at the date of granting. The shares subject to each option shall become purchasable to the extent of 25% on the first and each successive anniversary of the date on which the option was granted the installment rights being cumulative.
- Options were granted on March 23 1954 and November 3 1954 entitling the holders thereof to purchase 62 500 shares at \$19 375 per share and 7 000 shares at \$26 375 per share respectively. No portion of these options has been exercised.
- 5 The Company holds certificates of necessity on certain facilities which permit \$2 719 000 of the cost to be amortized over a sixty month period for the determination of income subject to Federal taxes. For the year ended November 30 1955 depreciation was recorded in the accounts on the same basis as computed for Federal income tax purposes (the sales contract covering substantially all of the production of these facilities has a life of sixty months) whereas depreciation in the preceding year was computed on the basis of the estimated useful lives of the assets. Had the prior year's policy been continued the depreciation deduction for the year ended November 30 1955 would have been reduced by approximately \$362 000.
- 6 A portion of the company's sales for the year ended November 30 1955 is subject to renegotiation under the Renegotiation Act of 1951. Management is of the opinion that adjustment if any will not be significant.

PEAT MARWICK MITCHELL & CO

Accountants and Auditors

CINCINNATI 2 OHIO

THE BOARD OF DIRECTORS
THE EAGLE Picher COMPANY

We have examined the consolidated balance sheet of The Eagle-Picher Company and its domestic subsidiaries as of November 30, 1955 and the related statement of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated profit and loss and earned surplus present fairly the financial position of The Eagle Picher Company and its domestic subsidiaries at November 30, 1955 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

PEAT MARWICK MITCHELL & CO

Cincinnati Ohio
January 31 1956

FIVE YEAR SUMMARY

FOR THE FISCAL YEARS 1951 - 1955

SOURCE OF FUNDS		APPLICATION OF FUNDS	
Net Profit	\$18 433 307	Dividends Paid	\$7 671 973
Depreciation and Depletion	9 637 544	Capital Additions	26 752 210
Increase in Long Term Debt	7 500 000	Increase in Working Capital	7 792 050
Decrease in Foreign Investments	3 224 648	Increase in Other Assets	596 316
Disposition of Fixed Assets	3 765 663	Surplus Adjustment	376 985
Reserves and Other Sources	628 372		
	<u>\$43 189 534</u>		<u>\$43 189 534</u>

FOR THE YEARS ENDED NOVEMBER 30	1955	1954	1953	1952	1951
INCOME STATEMENT					
Net Sales	\$114 480 080	\$83 233 880	\$85 033 403	\$81 893 067	\$82 086 318
Depreciation and Depletion	2 969 269	1 990 578	1 557 372	1 623 123	1 497 202
Net Profit Before Income Taxes	10 204 062	4 946 829	5 952 966	4 323 643	9 503 807
Net Profit	5 004 062	2 446 829	3 242 966	4 035 643	3 703 807
Net Profit Per Share	5 06	2 47	3 28	4 08	3 74
Dividend Per Share--Calendar Year	1 80	1 50	1 50	1 50	1 36*
BALANCE SHEET					
Property Plant & Equipment net	\$24 470 614	\$25 824 409	\$17 583 985	\$16 493 018	\$11 102 406
Working Capital	23 247 257	18 447 048	25 808 749	25 176 975	18 625 755
Investment in Foreign Subsidiaries	129 846	426 682	607 152	1 318 155	2 296 776
Long Term Debt	15 000 000	15 000 000	15 000 000	13 575 000	7 500 000
Net Worth	34 834 412	31 610 917	30 646 045	28 898 443	26 398 195
Net Worth Per Share	35 22	31 96	30 98	29 21	26 68

Based on 989 175 shares presently outstanding

PRINCIPAL PROPERTIES AND PRODUCTS

<p>CHEMICAL DIVISION</p>	<p>MANUFACTURING PLANTS GALENA KANSAS HILLSBORO ILLINOIS JOPLIN MISSOURI NEWARK NEW JERSEY</p> <p>PRINCIPAL PRODUCTS—Lead free zinc oxides lead zinc oxides u per sublimed white lead sublimed blue lead white lead carbonate basic li cate white lead lead silicates red lead lead peroxide orange mineral litharge sublimed litharge germanium metal and dioxide sulphuric acid zinc sulphate</p>
<p>FABRICON PRODUCTS DIVISION</p>	<p>MANUFACTURING PLANTS RIVER ROUGE MICHIGAN PHILADEL- PHIA PENNSYLVANIA PITTSBURGH PENNSYLVANIA LOS ANGELES CALIFORNIA</p> <p>PRINCIPAL PRODUCTS—Automotive door trim foundation panels trunk lining boards sound deadener parts floor carpets sunshade visors dash insulator mats glove boxes plastics Lamin Art decorative laminated sheets molded polyester Fiberglass or sisal parts custom impregnated papers textiles and glass cloth packaging materials plain and printed waxed paper printed cellophane and polvethylene</p>
<p>INSULATION DIVISION</p>	<p>MANUFACTURING PLANTS CLARK NEVADA DOVER NEW JERSEY JOPLIN MISSOURI WABASH INDIANA</p> <p>PRINCIPAL PRODUCTS—Mineral wool insulations cements blocks blankets felts aluminum storm windows and screens storm and screen doors diatomaceous earth products fillers aggregates absorbents catalyst supports</p>
<p>MINING AND SMELTING DIVISION</p>	<p>MINES TRI STATE DISTRICT (MISSOURI OKLAHOMA KANSAS) GALENA ILLINOIS SHULLSBURG WISCONSIN PARRAL MEXICO</p> <p>ZINC SMELTER HENRYETTA OKLAHOMA</p> <p>CONCENTRATING MILLS COMMERCE OKLAHOMA GALENA ILLINOIS SHULLSBURG WISCONSIN PARRAL MEXICO</p> <p>GERMANIUM PLANT MIAMI OKLAHOMA</p> <p>CONSOLIDATED SUPPLY COMPANY TREECE KANSAS</p> <p>NORTHEAST OKLAHOMA RAILROAD COMPANY MIAMI OKLA HOMA</p> <p>PRINCIPAL PRODUCTS—Slab zinc chat cadmium germanium zinc concentrates lead concentrates</p>
<p>OHIO RUBBER COMPANY DIVISION</p>	<p>MANUFACTURING PLANTS WILLOUGHBY OHIO CONNEAUTVILLE PENNSYLVANIA LONG BEACH CALIFORNIA</p> <p>PRINCIPAL PRODUCTS—Molded extruded rubber to-metal mechan- ical rubber products automobile floor mats miscellaneous mats weatherstrip tubing vibration mountings handle grips semi pneumatic tires (wheel goods industrial agricultural) defroster hose tracks for track laying vehicles (mili- tary and industrial) flexible vinyl parts and perforated materials products manufactured from natural synthetic and silicone rubbers in all sizes shapes and colors for original equipment and industrial applications</p>

